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MECHANISMS PURSUANT TO ARTICLES 6, 12 AND 17 OF THE KYOTO PROTOCOL

Text by the chairmen

Addendum

ARTICLE 6 OF THE KYOTO PROTOCOL

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[I. [Draft decision [A/CP.6]: Guidelines for the implementation of Article 6 of the Kyoto Protocol

The Conference of the Parties,

Recalling Article 6 of the Kyoto Protocol,

Recalling its decision 1/CP.3, in particular paragraph 5 (c),

Recalling also its decision 7/CP.4 on a work programme on mechanisms to be undertaken with priority given to the clean development mechanism, and with a view to taking decisions on all the mechanisms under Articles 6, 12 and 17 of the Kyoto Protocol at its sixth session, including, where appropriate, recommendations to the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol at its first session on, *inter alia*, guidelines concerning provisions under Article 6 of the Kyoto Protocol,

Recalling also its decisions 8/CP.4 and 14/CP.5,

1. *Urges* the Parties included in Annex I to the Convention to facilitate the participation in Article 6 projects of Parties included in Annex I to the Convention that are undergoing the process of transition to a market economy;

2. *Recommends* that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol, at its first session, adopt the following decision:

Decision -/[CMP.1]

Guidelines for the implementation of Article 6 of the Kyoto Protocol

The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol,

Taking into account [all of the relevant] provisions contained in [Articles 4 and 12 of the Convention] and Articles [3 and 6][2, 3, 4, 5, 6, 7, 11 and 18] of the Kyoto Protocol,

Bearing in mind that, in accordance with Article 6, [any Party to the Kyoto Protocol included in Annex I to the Convention may participate in Article 6 projects for the purpose of meeting its commitments under Article 3 and that any] acquisition[s] of emission reduction units shall be supplemental to domestic actions for the purpose of meeting quantified emission limitation and reduction commitments under Article 3 [and reflecting provisions contained in appendix X to the annex to this decision,]

[*Also bearing in mind* Articles 3 and 6 of the Kyoto Protocol, in accordance with which any emission reduction units which a Party to the Kyoto Protocol included in Annex I to the Convention transfers to another such Party shall be subtracted from the assigned amount for the

transferring Party and any emission reduction units which a Party to the Kyoto Protocol included in Annex I to the Convention acquires from another such Party shall be added to the assigned amount for the acquiring Party, keeping in view that any such transfers and acquisitions are only for the purpose of contributing to the achievement of compliance with the quantified emission limitation and reduction commitments in Article 3 without altering the assigned amount of any Party pursuant to its quantified emission limitation and reduction commitments inscribed in Annex B to the Kyoto Protocol],

[*Affirming* that, in their actions to achieve the purpose of Article 6, Parties shall be guided by Articles 2 and 3 of the Convention, and, *inter alia,*

[Equity relates to equitable per capita emission entitlements for developing country Parties, keeping in view that per capita emissions in developing countries are still relatively low and that the share of global emissions originating in developing countries will grow to meet their social and development needs, taking fully into account that economic and social development and poverty eradication are the first and overriding priorities of such Parties, while affirming that developed country Parties shall continue to limit and reduce their emissions with the aim of attaining lower levels of emissions through domestic policies and measures with a view to reducing per capita inequities in emissions between developed and developing country Parties.]

[*Recognizing* that the Kyoto Protocol has not created or bestowed on Parties included in Annex I to the Convention and in Annex B to the Protocol any right, title or entitlement to emissions of any kind in the pursuance of Articles 6, 12 and 17 of the Kyoto Protocol and further recognizing that emissions trading under Article 17 is only for the accounting of transfers and acquisitions of parts of assigned amounts for the purpose of fulfilling commitments under Article 3.]

[Special situation of developing countries that are particularly vulnerable to the adverse effects of climate change and impacts of mitigation activities: Article 6 projects should be implemented in such a way as to minimize adverse social, environmental, and economic impacts on developing country Parties, in particular those identified in Article 4, paragraphs 8 and 9 of the Convention.]

[Fungibility/non-fungibility: Parties [may][shall][not] exchange emission reduction units[, certified emission reductions] and [assigned amount units][parts of assigned amount] [in accordance with rules and procedures established by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol which are to ensure their effective environmental equivalence.]]

Having considered decision [A/CP.6],

1. *Decides* to adopt the guidelines for the implementation of Article 6 contained in the annex to this decision;

2. [*Decides* that the share of proceeds shall be applied to Article 6 projects and shall be collected and allocated in accordance with provisions contained in appendix D [to cover administrative expenses and [no less than 100-z per cent] to the adaptation fund[1]];

3. *Urges* the Parties included in Annex I to the Convention [concerned] to facilitate the participation in Article 6 projects of Parties included in Annex I to the Convention that are undergoing the process of transition to a market economy;

4. *Decides* that the [distribution][sharing][division]of the emission reduction units [resulting from an Article 6 project] will be determined by the participating Parties [and any legal entities involved];

5. *Decides* to review and, where appropriate, revise the guidelines contained in the annex. A review of the annex, based on recommendations by the Subsidiary Body for Scientific and Technological Advice and the Subsidiary Body for Implementation[2], shall be undertaken no later than one year after the completion of the [first] additional period for fulfilling commitments[3], taking into account, inter alia, the experience of the Parties. Revisions shall not affect Article 6 projects already registered. [Any revisions to this decision shall be made by consensus of the Parties];

6. *Requests* [the secretariat of the Convention] to perform functions assigned to the secretariat [as contained] in this decision and its annex[4].]

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[1] [An adaptation fund shall be established to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change, in particular the least developed countries and small island developing States amongst them, and/or to the impact of the implementation of response measures, under Articles 6 and 17, to meet the costs of adaptation.]

[2] In accordance with provisions contained in Article 15 of the Kyoto Protocol.

[3] As defined in the draft decision on the establishment of procedures and mechanisms on compliance.

[4] The resource implications of this operative paragraph will need to be specified.

Annex

[GUIDELINES] FOR THE IMPLEMENTATION OF ARTICLE 6 OF THE KYOTO PROTOCOL

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached.)

[Definitions

For the purpose of this annex:

(a) "Protocol" means the Kyoto Protocol to the United Nations Framework Convention on Climate Change as adopted on 11 December 1997.

(b) "Party" means, unless the context otherwise indicates, a Party to this Protocol.

(c) "Party included in Annex I" means a Party included in Annex I to the Convention, as may be amended, or a Party which has made a notification under Article 4, paragraph 2(g) of the Convention, and is a Party to the Kyoto Protocol.

(d) "Party not included in Annex I" means a Party not included in Annex I to the Convention, as may be amended, and which has not made a notification under Article 4, paragraph 2(g) of the Convention, and is a Party to the Kyoto Protocol.

(e) "Article" means an article of the Protocol, unless otherwise indicated.

(f) ["Assigned amount units" or "AAUs"] ["Parts of assigned amount" or "PAAs] are [serialized parts of the assigned amount of a Party included in Annex B] [units calculated pursuant to Article 3, paragraphs [3, 4,] 7 and 8].

(g) "Emissions reduction units" or "ERUs" are units [issued] [transferred] pursuant to Article 6 and requirements thereunder;

(h) "Certified emissions reductions" or "CERs" are units issued pursuant to Article 12 and requirements thereunder;

(i) [AAUs][PAAs], ERUs and CERs are units each equal to one tonne of carbon dioxide equivalent, calculated using global warming potentials defined by decision 2/CP.3 or as subsequently revised in accordance with Article 5;

(j) ["Assigned amount" includes [AAUs] [PAAs], CERs and ERUs.]

(k) "Stakeholders" means the public affected by or likely to be affected by, or having an interest in the project.]

A. Role of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol

Option A:

(Note: There is no need for this section.)

Option B:

1. [The Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol shall exercise authority over and provide guidance regarding the implementation of Article 6 by designating independent entities and for this purpose appointing an accreditation body as set out in appendix A.]

Option C:

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached.)

B. [Executive board [of the clean development mechanism]]

Option A:

(Note: There is no need for this section.)

Option B:

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached.)

C. Accreditation body

Option A:

(Note: There is no need for this section.)

Option B:

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached.)

D. Accredited independent entities

Option A:

(Note: There is no need for this section.)

Option B:

2. Accredited independent entities shall be responsible for carrying out functions referred to in section J of this annex as well as in other relevant decisions of the COP/MOP.

Option C:

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached.)

E. Participation

(Note: This section may have linkages with decision --/CP.6 establishing procedures and mechanisms on compliance.)

Option A (paragraphs 3 to 8)

3. To acquire emission reduction units, a Party included in Annex I shall [comply with its commitments under Articles 3, 5, 7 and 11 of the Kyoto Protocol and Article 12 of the Convention and]:

(a) Have in place, by the time a report is submitted pursuant to paragraph 4 (a) and thereafter, a national system for the estimation of anthropogenic emissions by sources [and enhanced anthropogenic removals by sinks] of all greenhouse gases not controlled by the Montreal Protocol, in accordance with Article 5.1 and requirements in the guidelines thereunder;

(b) Have in place, by the time a report is submitted pursuant to paragraph 4 (a) and thereafter, a computerized national registry to account for and track [all changes in its assigned amount] [ERUs, CERs and [AAUs][PAAs] transferred or acquired under the provisions in

Article 3, paragraphs 10, 11 and 12], in accordance with Article 7.4 and requirements in the guidelines decided thereunder[5];

(c) Have established, by the time a report is submitted pursuant to paragraph 4 (a) and thereafter, its [initial] assigned amount[, in accordance with Article 7.4 and requirements in the guidelines decided thereunder];

(d) Have submitted with the report described in paragraph 4 (a) one annual inventory for the relevant recent year of anthropogenic emissions by sources [and enhanced anthropogenic removals by sinks] of greenhouse gases not controlled by the Montreal Protocol][6], in accordance with Article[s 5.2 and] 7.1 and the requirements in the guidelines decided thereunder, other than those relating to the deadline for the first submission;

(e) Have subsequently submitted annual reports on its assigned amount for each year following the submission of a report described in paragraph 4 (a), [annual information on its assigned amount,] in accordance with Article 7.1 and the requirements in the guidelines decided thereunder, and annual inventories, in accordance with Article[s 5.2 and] 7.1 and the requirements in the guidelines decided thereunder[7];

(f) Option 1: [Have submitted the last required periodic national communication, in accordance with the guidelines specified in decision 4/CP.5 or as modified by subsequent decisions of the [COP][and/or][COP/MOP];]

Option 2: [Have submitted the last required periodic national communication and be bound by any procedures and mechanisms on compliance adopted by the [COP][and/or][COP/MOP].]

4. A Party included in Annex I may acquire ERUs under Article 6:

(a) After [XX] months have elapsed since the submission of a report to the secretariat documenting that it meets the requirements in paragraph 3, subparagraphs (a) through (d), [(e)] and [(f)] [and paragraph 6], unless the Compliance Committee has found that it has not met one or more of such requirements;

(Note: Clarification is required as to whether the report referred to in this subparagraph is additional to the report requested for the establishment of the initial[8] assigned amount as defined in section III (modalities for accounting for assigned amount under Article 7.4) of the draft guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol (Annex II of documents FCCC/SBSTA/2000/10/Add.3 and FCCC/SBSTA/2000/13).)

(b) At an earlier date if the enforcement branch of the Compliance Committee has notified the secretariat that it is not proceeding with any question of implementation relating to the requirements in paragraph 3, subparagraphs (a) through (d), [(e)] and [(f)] [and paragraph 6];

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[5] This paragraph assumes that the guidelines for national registries will be decided under Article 7.4. It would need to be amended if these guidelines were agreed under another article of the Kyoto Protocol.

[6] See footnote 5.

[7] This is without prejudice to the elaboration of inventory and reporting requirements for land-use, land-use change and forestry.

[8] *The word "initial" in documents FCCC/SBSTA/2000/10/Add.3 and FCCC/SBSTA/2000/13 is bracketed.*

(c) [Unless and until the Compliance Committee has found that it has not met one or more of the requirements in paragraph 3, subparagraphs (a) through (e) [and (f)] [and paragraph 6]. If the Compliance Committee has found that a Party does not meet one or more requirements above, the Party shall become qualified again only if and when the Compliance Committee has found that it has met those requirements.]

5. Pursuant to Article 6.4, if a question of implementation identified by an Article 8 expert review team about the implementation by a Party included in Annex I of the requirements in paragraph 3, subparagraphs (a) through (e) [and (f)] [and paragraph 6] is pursued by the Compliance Committee, during the time between the Compliance Committee's identification of the compliance question and the resolution of the issue of compliance, the Party may continue to acquire ERUs, provided that any such units may not be used by the Party to meet its commitments under Article 3.1 until the issue of compliance is resolved.

6. [To transfer or acquire ERUs a Party included in Annex I must be bound by any procedures and mechanisms on compliance adopted by [COP][and/or][COP/MOP].]

7. A Party [included in Annex I] [that authorizes][may authorize] legal entities to participate, [in Article 6 projects] under its responsibility, in actions leading to the generation, transfer or acquisition under Article 6 [paragraph 3] of emission reduction units [shall remain responsible for the fulfilment of its obligations under the Protocol and shall ensure that such participation is consistent with this annex].

8. A Party included in Annex I involved in one or more projects under Article 6 [shall][should] submit to the secretariat a report identifying the Party's focal point of contact for the purpose of project approval pursuant to Article 6, paragraph 1(a).

Option B:

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached.)

F. Scope of projects

9. Projects under Article 6 must provide a reduction in anthropogenic emissions of greenhouse gases by sources listed in Annex A to the Protocol, [or an enhancement of anthropogenic removals by sinks], that is additional to any that would otherwise occur. [Enhancements of anthropogenic removals by sinks cover activities included in Article 3, paragraph 3, and any additional activities under Article 3, paragraph 4.] Only anthropogenic emissions of greenhouse gases by sources [or anthropogenic enhancement of removals by sinks] during the commitment period can result in generation of ERUs.

10. A project under the pilot phase of activities implemented jointly [, which commenced on [1 January 2000][11 December 1997][or the date of the host Party's ratification of the Protocol, whichever is later]]shall be eligible to be pursued as a project under Article 6 if it meets the criteria established in these guidelines, and if the Parties involved in the project agree that it should be considered as an Article 6 project.

G. Validation

Option A:

(Note: There is no need for this section.)

Option *B*:

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached.)

H. Registration

Option A:

(Note: There is no need for this section.)

Option *B*:

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached.)

I. Monitoring

Option A:

(Note: There is no need for this section.)

Option B:

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The

present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached.)

J. Verification

11. [A Party included in Annex I operating under Article 4 [may] [may not] [acquire] [transfer] [use] ERUs resulting from Article 6 projects [and use them] [to contribute to compliance with its Article 3 commitments] if another Party operating under the same Article 4 agreement, or a regional economic integration organization to which the Party belongs and which is itself a Party to the Protocol, is found not to be in compliance with its obligations under Articles 5 and 7.]

12. A Party included in Annex I involved in one or more projects under Article 6 [shall][should] submit to the secretariat a report identifying the Party's focal point of contact for the purpose of project approval pursuant to Article 6, paragraph 1(a).

13. [A Party included in Annex I hosting a project under Article 6 [shall][should] submit to the secretariat a report containing: any national guidelines and procedures for obtaining such project approval, for monitoring and verifying reductions in anthropogenic emissions by sources [or enhancements of anthropogenic removals by sinks], for comments by stakeholders, and for transferring [or acquiring] ERUs. [Such a Party [shall][should] also submit periodic information in accordance with appendix C.]]

14. [The Party included in Annex I [shall][should] submit to the secretariat such subsequent reports as may be appropriate to identify any significant changes in its focal point of contact or national guidelines and procedures.]

15. A [host] Party included in Annex I may transfer ERUs [associated with reductions in anthropogenic emissions by sources [or enhancements of anthropogenic removals by sinks]] [that have been][if they are] verified as additional [to any that would otherwise occur,] in accordance with the provisions of Article 6.1(b), through one of the procedures set forth in paragraph 17.

16. [Information on the project associated with each ERU transferred shall be made publicly available by the host Party, through the secretariat, on the basis of the uniform reporting format as set forth in appendix C.]

17. Reductions in anthropogenic emissions by sources [or enhanced anthropogenic removals by sinks] for Article 6 projects shall be verified either:

(a) By the Parties involved, if the host Party included in Annex I at the time of verification is [eligible][qualified] under paragraph 18; or

(b) Through the verification procedure as provided for under paragraphs 22 through 33.

18. A Party included in Annex I hosting a project under Article 6 [may transfer ERUs, according to paragraph 15][shall be qualified for the purpose of paragraph 17 (a)], if the Party has submitted a report to the secretariat documenting that it meets the [requirements][conditions] in paragraph 3, subparagraph (a) through (d)[and (f)] [and paragraph 6] and if:

(Note: Clarification is required as to whether the report referred to in this paragraph is additional to the report requested for the establishment of the initial[9] assigned amount as defined in section III (modalities for accounting for assigned amount under Article 7.4) of the draft guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol (Annex II of documents FCCC/SBSTA/2000/10/Add.3 and FCCC/SBSTA/2000/13).)

(a) [XX] months[10] have elapsed since the submission of such report, unless the Compliance Committee has found that it has not met one or more of such requirements; or

(b) At an earlier date if the enforcement branch of the Compliance Committee has notified the secretariat that it is not proceeding[11] with any question of implementation relating to the requirements in paragraph 3, subparagraphs (a) through (d)[and (f)] [and paragraph 6].

19. Such Party [will remain qualified] [may transfer ERUs according to [paragraph 15]] unless and until the Compliance Committee has found that it has not met one or more of the [requirements][conditions] in paragraph 3, subparagraphs (a) through (d)[and (f)] [and paragraph 6]. If the Compliance Committee has found that a Party does not meet one or more such [requirements][conditions], the Party shall become qualified again only if and when the Compliance Committee [finds that the Party meets such conditions and therefore reinstates its qualification][has found that it has met those requirements].

20. [Any provisions relating to liability provisions under Article 17 shall apply *mutatis mutandis* to acquisitions of ERUs if verification was carried out in accordance with provisions contained in paragraph 17, subparagraph (a).[12]]

21. [Any provisions on national systems for the participation of legal entities under Article 17 shall apply to Article 6 projects.]

22. Option 1: Verification under paragraph 17, subparagraph (b) is the process of evaluation of a project by an independent entity accredited pursuant to appendix A against the requirements of Article 6 and these guidelines. *(Note: previous paragraph 105 of document FCCC/SB/2000/4.)*

Option 2: For the purposes of verification of a project under paragraph 17, subparagraph (b), the secretariat shall constitute one or more verification teams from a roster of experts nominated by Parties. Members of each verification team shall have the necessary expertise to carry out the functions specified in these guidelines. The secretariat shall assign a verification

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[9] *The word "initial" in documents FCCC/SBSTA/2000/10/Add.3 and FCCC/SBSTA/2000/13 is bracketed.*

[10] A specified time period sufficient to allow the Article 8 expert review teams and the Compliance Committee a reasonable opportunity to identify and rule upon any problems.

[11] This refers to an enforcement proceeding, rather than a facilitative process.

[12] Pending the result on liability options under Article 17.

team to a project at the request of [the host Party] [the Parties involved]. *(Note: previous paragraph 116 of document FCCC/SB/2000/4 revised.)*

23. Project participants shall submit to [an accredited independent entity][the verification team] a project design document [as described in appendix C] that contains all information needed for the determination of whether the project has been approved by the Parties involved, and has an appropriate baseline, monitoring plan and crediting lifetime, in accordance with the criteria set forth in appendix B. *(Note: consolidates previous paragraphs 106, 107, and 117 of document FCCC/SB/2000/4.)*

24. The [independent entity/verification team] shall make the project design document publicly available through the secretariat, subject to confidentiality provisions set out in paragraph 32. *(Note: consolidates previous paragraphs 108 and 118 of document FCCC/SB/2000/4.)*

25. [The [independent entity][verification team] shall receive comments from Parties and [stakeholders/UNFCCC accredited observers] on the project design document and any supporting information for [60] days from the date the project design document is made publicly available.] *(Note: consolidates previous paragraphs 109 and 119 of document FCCC/SB/2000/4.)*

26. The [independent entity/verification team] shall determine whether the project has an appropriate baseline, monitoring plan and crediting lifetime in accordance with the criteria set out in appendix B. The [independent entity][verification team] shall make its determination publicly available through the secretariat, together with an explanation of its reasons, [addressing any significant issues raised][including a summary of comments by stakeholders and an assessment of how due account was taken of these]. A determination of the appropriate baseline under this paragraph shall remain valid for the crediting lifetime of the project. *(Note: consolidates previous paragraphs 110 and 120 of document FCCC/SB/2000/4.)*

27. For the purposes of verifying reductions in anthropogenic emissions by sources [or enhancements of anthropogenic removals by sinks] that have been achieved, project participants shall submit information to the [independent entity][verification team], according to the reporting format in appendix C, to demonstrate that such reductions [or removals] were monitored and calculated in accordance with the appropriate baseline, monitoring plan, and crediting lifetime. *(Note: consolidates previous paragraphs 112 and 121 of document FCCC/SB/2000/4.)*

28. The [independent entity][verification team] shall determine whether any reported reductions in anthropogenic emissions by sources [or enhancements of anthropogenic removals by sinks] were monitored and calculated in accordance with the appropriate baseline, monitoring plan and crediting lifetime, and if so, the amount of such reductions [or removals] that have been achieved, stated in terms of tonnes of carbon dioxide equivalent. [The [independent entity][verification team] shall make its determination publicly available through the secretariat, together with an explanation of its reasons.] *(Note: modifies previous paragraph 122 and replaces previous paragraph 113 of document FCCC/SB/2000/4.)*

29. [A verification determination regarding a project design document or any reported reductions in anthropogenic emissions by sources [or enhancements of anthropogenic removals by sinks] shall be deemed final [30] days after the date on which it is made public, unless a Party [hosting] [involved in] the project or [x] other Parties request a review by [an appropriate body]. If such a review is requested, the [appropriate body] shall review the determination as soon as possible, but no later than [...]. The appropriate body shall make its decision publicly available. Its decision shall be final.] *(Note: consolidates previous paragraphs 111 and 123 of document FCCC/SB/2000/4.)*

30. A Party included in Annex I hosting a project that is subject to the procedure specified in paragraphs 22 through [28][29] may transfer ERUs only when a determination is made in accordance with paragraph [28][29], and may not transfer a number of ERUs exceeding the number of tonnes of carbon dioxide equivalent identified in paragraph [28][29]. *(Note: previous paragraph 124 of document FCCC/SB/2000/4.)*

31. Information on the project associated with each ERU shall be made public through an electronic link with the project identifier, in accordance with the provisions on registries. *(Note: previous paragraph 125 of document FCCC/SB/2000/4.)*

32. Except as required by national law, [an independent entity][a verification team] [or the appropriate body] shall not disclose information regarding projects that has been marked as proprietary or commercially confidential, where such information is not otherwise publicly available, without the written consent of the provider of the information. Emission data or data relating to whether reductions in anthropogenic emissions by sources [or enhancements of anthropogenic removals by sinks] are additional shall not be considered proprietary or commercially confidential. *(Note: consolidates previous paragraphs 115 and 126 of document FCCC/SB/2000/4.)*

33. Parties involved in a project may elect to use the procedure set out in paragraphs 22 through [28][29] at any time. Parties that use the procedure shall bear the costs of such use. *(Note: previous paragraph 127 of document FCCC/SB/2000/4.)*

Option B:

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached.)

K. Certification

Option A:

(Note: There is no need for this section.)

Option B:

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached.)

L. Issuance of emission reduction units

(Note: Some Parties have suggested that issues of fraud, malfeasance or incompetence of independent entities that come to light at this stage may need to be addressed.)

Option A:

34. [Transfers and acquisitions][Issuance] of ERUs shall be made by adding a project identifier to the serial number of the unit of assigned amount in the registry of the transferring host Party included in Annex I, then removing the unit from the national registry of the transferring host Party and adding it to the national registry of the acquiring Party included in Annex I.

Option B:

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached.)

[Appendix X (to the annex to decision [A/CP.6] on Article 6)

Supplementarity

1. Option 1: Parties included in Annex I shall not primarily use extraterritorial means to fulfil their obligations under Article 3. Quantitative or qualitative rules and guidelines shall be developed in the context of policies and measures under Article 2 and demonstrable progress under Article 3, paragraph 2, that would be subject to the Protocol's reporting, in-depth review and procedures and mechanisms on compliance by which the right of a Party to access mechanisms pursuant to Articles 6, 12 and 17 could be suspended in circumstances where it has failed to demonstrate that its domestic efforts form the primary means of achieving its quantified emission limitation and reduction commitment.

Option 2: Net acquisitions by a Party included in Annex I for all three mechanisms pursuant to Articles 6, 12 and 17 together must not exceed the higher of the following alternatives:

(a) 5 per cent of: $\frac{\text{its base year emissions multiplied by 5 plus its assigned amount}}{2}$

(where 'base year emissions' may be replaced by 'average annual emissions in the base period, as provided for in Article 3, paragraph 5');

(b) 50 per cent of: the difference between its annual actual emissions in any year of the period from 1994 to 2002, multiplied by 5, and its assigned amount.

However, the ceiling on net acquisitions can be increased to the extent that a Party included in Annex I achieves emission reductions larger than the relevant ceiling in the commitment period through domestic action undertaken after 1993, if demonstrated by the Party in a verifiable manner and subject to the expert review process to be developed under Article 8.

Net transfers by a Party included in Annex I for all three mechanisms pursuant to Articles 6, 12 and 17 together must not exceed:

5 per cent of: $\frac{\text{its base year emissions multiplied by 5 plus its assigned amount}}{2}$

(where 'base year emissions' may be replaced by 'average annual emissions in the base period, as provided for in Article 3, paragraph 5').

However, the ceiling on net transfers can be increased to the extent that a Party included in Annex I achieves emission reductions larger than the relevant ceiling in the commitment period through domestic action undertaken after 1993, if demonstrated by the Party in a verifiable manner and subject to the expert review process to be developed under Article 8.

If a Party is a member of an Article 4 agreement to fulfil commitments jointly, the assigned amount is the assigned amount allocated to the Party under that agreement. Otherwise,

it is the assigned amount for the Party as calculated in accordance with Article 3, paragraph 7.

Option 3: Access to Article 6 by a Party included in Annex I is contingent on [satisfaction of prescribed domestic effort in] fulfilment of commitments under Article 3. A concrete ceiling for the total ERUs acquired from projects under Article 6 shall be defined in quantitative and qualitative terms based on equitable criteria. A quantified ceiling on the emissions limited and reduced through the mechanisms pursuant to Articles 6, 12 and 17 shall be initially set at 30 per cent of the effort required to meet the commitments of a Party included in Annex I. This ceiling may be reviewed periodically by the COP/MOP.

Option 4: The overall 'cap' on the use of the three mechanisms pursuant to Articles 6, 12 and 17 should not exceed 25-30 per cent.

[Issues related to Article 4]

2. [Any limitations on the transfer or acquisition of ERUs under Article 6 shall apply to the allocation of emission levels under Article 4.]

3. Any limitations on net transfers or acquisitions of ERUs under Article 6 shall apply to each individual Party operating under Article 4.]

4. [Reallocations under Article 4 shall count against the limitations referred to in paragraph 1 above.]]

[Appendix A (to the annex to decision [A/CP.6] on Article 6)

Standards and procedures for the accreditation of independent entities

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached. Other Parties have proposed that guidelines for the implementation of Article 6 could be elaborated taking into account certain elements of the modalities and procedures for Article 12 project activities, such as those on accreditation of operational entities.)]

[Appendix B (to the annex to decision [A/CP.6] on Article 6)

**[[Project proposal] [UNFCCC Article 6 reference manual]]
[Criteria for baselines, monitoring, and crediting lifetime]**

(Note: Some Parties have proposed that guidelines for the implementation of Article 6 projects match the modalities and procedures for Article 12 project activities as closely as possible. The present text has not been revised to reflect the changes to the modalities and procedures proposed for Article 12 during the first part of the thirteenth sessions of the subsidiary bodies. Changes may be incorporated into the present text as agreement regarding relevant sections and provisions of the modalities and procedures for Article 12 project activities is reached. Other Parties have proposed that guidelines for the implementation of Article 6 could be elaborated taking into account certain elements of the modalities and procedures for Article 12 project activities.)]

[Appendix C (to the annex to decision [A/CP.6] on Article 6)

Option A:

[Reporting by Parties]

(Note: Some Parties propose that reporting by Parties should be addressed under the guidelines for the preparation of the information required under Article 7 of the Kyoto Protocol (FCCC/SBSTA/2000/10/Add.3 and FCCC/SBSTA/2000/13). These draft guidelines already contain some of the provisions below. Parties may wish to focus their attention on those provisions below that are relevant to the mechanisms.)

(Note: The provisions in paragraph 1 of document FCCC/SBSTA/2000/10/Add.1, part I, are now included in the draft text on guidelines for the preparation of the information required under Article 7(FCCC/SBSTA/2000/10/Add.3 and FCCC/SBSTA/2000/13).)

1. In accordance with the guidelines under Article 7, each Party included in Annex I shall incorporate information on the following into its national communication:

(a) Project activities under Articles 6 and 12;

(b) How its CDM project activities have assisted Parties not included in Annex I in achieving sustainable development and in contributing to the ultimate objective of the Convention;

(c) Option 1: [An estimate of the expected contribution that acquired CERs will make towards compliance with its quantified emission limitation and reduction commitment under Article 3 and the expected contribution of domestic actions.]

Option 2: The Party's current, best estimates of:

(i) The total amount of greenhouse gas emissions (expressed in tonnes of carbon dioxide equivalent) that the Party will be required to reduce, avoid, or sequester during the first commitment period, without taking into account net acquisitions of ERUs, CERs, or [AAUs]/[PAAs], in order to comply with its quantified emission limitation and reduction commitment under Article 3 of the Protocol; and

(ii) The amounts of ERUs, CERs, and [AAUs]/[PAAs], individually and in the aggregate, the Party expects to acquire (net of transfers by the Party) during each year of the first commitment period;

(d) The principal assumptions and the methodologies used by the Party in developing the estimates required by Subparagraph 1(c), which shall be in a level of detail sufficient to enable a clear understanding of the bases for the estimates;

(e) The annual contributions by the Party to each of the Funds established by the COP with respect to Article 4, paragraphs 3, 5, 8, and 9 of the Convention and to each of the Funds established by the COP/MOP with respect to Article 2, paragraph 3, Article 3, paragraph 14, and Article 12 of the Protocol, showing the date of each contribution since establishment of each Fund;

(f) The Party's current, best estimate, expressed qualitatively and quantitatively, of the effects of its policies and measures undertaken pursuant to Article 2, paragraphs 1 and 2 and otherwise undertaken to achieve its quantified emission limitation and reduction commitment under Article 3, paragraph 1 on developing countries and in particular those identified in Article 4, paragraphs 8 and 9 of the Convention, including the Party's best quantitative estimates of the effects of those policies and measures on such developing countries with respect to:

(i) The unit quantity and monetary amount of raw materials, fuels, and finished goods exported to the Party by developing countries in each year during the period 2000 through 2012;

(ii) The prices of finished goods imported from the Party by developing countries in each year during the period 2000 through 2012; and

(iii) The interest rates and the total interest payable by developing countries to the Party and its legal entities on the external debt of developing countries during the period 2000 through 2012, together with disclosure of the principal assumptions and the methodologies used by the Party in developing all of the estimates required by this Subparagraph 1(f), which shall be in a level of detail sufficient to enable a clear understanding of the bases for the estimates;

(g) All steps taken by the Party to comply with its commitments contained in Article 2, paragraph 3 and Article 3, paragraph 14 of the Protocol, and detailed information describing how and the extent to which each such step contributed to minimizing the adverse effects and impacts referred to in those Articles and in the information provided pursuant to

Paragraph 1(f), together with a statement of the principal assumptions and the methodologies used by the Party in developing the information required by this Subparagraph (g), which shall be in a level of detail sufficient to enable a clear understanding of the bases for the information; and

(h) All steps the Party has taken and anticipates taking to comply with its commitment contained in Article 3, paragraph 2 of the Protocol, including detailed explanation as to why the Party believes, with respect to each of its separate commitments contained in the Protocol, the described steps do or do not constitute 'demonstrable progress in achieving' each such commitment."

3. Parties not included in Annex I shall report on CDM project activities to which they are host in the context of their reporting commitments under Article 12 of the Convention. [This reporting shall include how they have assisted Parties included in Annex I in achieving compliance with their commitments under Article 3.

Option B:

[Reporting (project design documents and reporting format)]

(Note: To be drafted)]

[Appendix D (to the annex to decision [A/CP.6] on Article 6)

Determination and allocation of the share of proceeds

1. The share of proceeds is defined as *x per cent* of the /number//*value*/of ERUs [issued for an Article 6 project][transferred].

2. No more than [10][y] per cent of the amount of the share of proceeds shall be used to cover administrative expenses and shall be transferred to an account maintained for this purpose by the secretariat[of the executive board]. [20 per cent of] The /remaining amount of the/ share of proceeds shall be devoted to assisting developing country Parties that are particularly vulnerable to the adverse effects of climate change to meet the costs of adaptation and shall be transferred to an account maintained for this purpose by the adaptation fund[13] established by the COP/MOP.

3. The share of proceeds shall be transferred to the appropriate account[s] by the [transferring][acquiring] Party.]

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[13] [An adaptation fund shall be established to assist developing country Parties that are particularly vulnerable to the adverse effects of climate change, in particular the least developed countries and small island developing States amongst them, and/or to the impact of the implementation of response measures, under Articles 6 and 17, to meet the costs of adaptation.]